

**Retiree Communication Letter**

Explanation of changes  
to health plans for  
existing NSTAR retirees



GAS One NSTAR Way, Westwood, MA 02090

December 2002

Dear Retiree:

As communicated in an earlier letter to you, the 2003 benefits open enrollment period for retirees was delayed this year while NSTAR conducted a comprehensive review of benefits programs. We appreciate your patience during this delay.

As mentioned in our earlier communication, the cost of providing employee and retiree health coverage continues to be a significant challenge for employers across the nation. We also mentioned that, due to escalating costs, many employers have made drastic reductions in post employment benefits and, in many cases, discontinued them altogether.

At NSTAR, our current strategy is to take a more moderate approach to controlling costs while continuing to provide a substantial level of benefits for retirees. Accordingly, beginning April 1, 2003, we will be moving toward standardizing health plans. Pre-age 65 plans will be more closely aligned to the health plans currently available to NSTAR employees. Post-age 65 retirees will be offered standardized Medex coverage. It is important to note that the current method used to calculate your contribution toward company sponsored health plans, if any, will not change at this time.

Attached is a summary of the health care plans that will be offered to participants effective April 1, 2003. In January 2003, we will send all retirees plan descriptions. Pre-age 65 retirees will also receive open enrollment forms and plan comparisons so that informed decisions can be made about health coverage.

Please watch your mail in January 2003 for important educational material and open enrollment information. Until then, if you have any questions regarding your NSTAR benefits, please call 781-441-8099 or 888-232-6236.

Sincerely,

A handwritten signature in cursive script that reads "Bernard B. Peloquin".

Bernard B. Peloquin  
Director, Total Compensation & HRIS

Attachment

**Pre-Age 65 Retirees  
Summary of Retiree Benefits Program  
Effective April 1, 2003**

**Retiree Health Program for Pre-Age 65 Retirees**

Eligible retirees and their eligible dependents may elect from the following plans:

- Blue Cross and Blue Shield - Blue Care Elect (PPO)
- Blue Cross and Blue Shield - Network Blue (HMO)
- Harvard Pilgrim Health Care (HMO)
- Delta Dental (if applicable)

**Blue Care Elect – Preferred Provider Organization (PPO)**

Blue Care Elect is a Preferred Provider Organization (PPO) in which you may choose to receive care from a Blue Care Elect in-network provider or from a provider outside of the network. Approximately 75% of physicians in Massachusetts and most major hospitals are in the Blue Care Elect network. If you use the medical services of physicians and hospitals that belong to the network, you will pay less than when using physicians outside of the network. If you receive your medical care from an in-network provider, in most cases you receive 100% coverage of the allowed charge. Most in-hospital (semi-private room) and physicians' services are covered. You pay a \$10 co-payment for visits in a physician's office. If you use in-network providers, there is no annual deductible.

You may choose instead to receive care from providers not in the Blue Care Elect PPO network. For these services, after you satisfy a \$250 per person per calendar year deductible (except for routine physicals or emergency treatments), the plan pays 80% of the allowed charges for most covered medical expenses. You pay the remaining 20%.

If you live outside of Massachusetts, there is a special feature of the Blue Care Elect plan called the Blue Card Program. Most institutional and professional Blue Cross and Blue Shield providers across the country participate in this program. With this program, when you receive covered services outside of Massachusetts with a provider who has an agreement with the Local Blue Cross and Blue Shield PPO plan, you will receive in-network benefits. All you have to do is show the participating provider your identification card and the provider submits the claim for you. You may request a directory of these providers for the state you live in from Blue Cross and Blue Shield. We will provide you with more information on this in our next communication.

Also, retirees who choose to enroll in the Blue Care Elect plan will automatically be enrolled in a separate prescription drug plan provided by Medco-Health. The prescription drug benefit will require you to use mail order for all maintenance medications (medications taken for a period longer than 60 days). The program has a three-tier pharmacy benefit. Your co-pay obligation for each is explained below:

**Blue Care Elect Plan - Prescription Drug Benefits: (provided by Medco Health)**

**At participating retail pharmacy for a 30 day supply:**

- \$5 for Generic drugs
- \$10 for Formulary drugs (Preferred – Brand name drugs)
- 50% co-insurance with a \$1,000 annual out of pocket expense cap for Non-Formulary drugs (Non-Preferred)



**Through mail order for maintenance drugs (up to a 90 day supply):**

- \$10 for Generic drugs
- \$20 for Formulary drugs (Preferred – Brand name drugs)
- \$50 co-insurance for Non-Formulary drugs (Non-Preferred drugs)

**Harvard Pilgrim Health Care and Blue Cross Blue Shield Network Blue :**

Harvard Pilgrim Health Care and Network Blue are health maintenance organizations (HMO) and each consist of a network of health care providers who have agreed to provide services for a set fee. If you choose to enroll in one of these plans, you must select a primary care physician to manage and coordinate all of your care. You pay a co-payment for doctor's office visits, emergency room care and other services. You pay a \$10 co-payment for visits in a physician's office. There are no annual deductibles, and for most services, you will not be required to file claim forms. When you receive care from a provider who is not part of the HMO network, the plan does not pay for the cost of your care except if you require emergency medical care or urgent care outside of the service area.

**HMO Prescription Drug costs:**

**Harvard Pilgrim prescription drug costs (30 day supply) at the retail pharmacy:**

- \$5 Generic drugs
- \$10 Preferred drugs
- \$25 Non-Preferred drugs

**Mail Order (90 day supply):**

- \$10 Generic drugs
- \$20 Preferred drugs
- \$75 for Non-Preferred brand drugs

**Network Blue prescription drug costs (30 day supply) at the retail pharmacy:**

- \$5 Generic drugs
- \$10 Preferred drugs
- \$25 for Non-Preferred drugs

Mail order program is available with same co-pays, but for a 90 day supply.

**Dental Benefits – Retirees and dependents less than age 65**

The dental plan only applies to retirees who were eligible for dental coverage under their post-employment program and who are currently enrolled in an NSTAR dental plan. If your post-employment program did not provide dental benefits or you did not elect this coverage at the time of your retirement, you are not eligible for this benefit. If you are currently enrolled in dental coverage and you will not turn age 65 prior to March 31, 2003, your new dental plan provides for:

- \$25 calendar year deductible per person on Basic Restorative and Major Restorative work combined
- 100% coverage for Preventive services
- 80% coverage for Basic Restorative services
- 60% coverage for Major Restorative services
- Calendar Year Maximum is \$1,800 per person
- Coverage ends on the first day of the month in which you turn age 65

*This information only provides a summary of your benefits. It is not an official plan document. Your benefits will be determined in accordance with official plan documents. The Company reserves the right to amend, modify or terminate the programs at any time. Additional information will be provided in January 2003.*

**Post-Age 65 Retirees  
Summary of Retiree Benefit Program  
Effective April 1, 2003**

Effective April 1, 2003, eligible participants will be offered Medex II. In addition to providing broad health coverage, Medex II includes three levels of prescription drug coverage. It is important to note that effective April 1, 2003, reimbursement for Medicare Part B will be discontinued.

**Blue Cross and Blue Shield - Medex II Plan (Medicare supplement plan at age 65 or earlier if Medicare eligible due to disability)**

You will receive a comprehensive description of the Medex II program in January 2003. Also, retirees enrolled in the Medex II Plan will automatically be enrolled in a separate prescription drug plan provided by Medco-Health. The prescription drug benefit will require you to use mail order for all maintenance medications (medications taken for a period longer than 60 days). The program has a three-tier pharmacy benefit which is explained below:

**Medex II - Prescription Drug Benefits: (provided by Medco Health)**

**At participating retail pharmacies for a 30 day supply:**

- \$5 for Generic drugs
- \$10 for Formulary drugs (Preferred – Brand name drugs)
- 50% co-insurance with a \$1,000 annual out of pocket expense cap for Non-Formulary drugs (Non-Preferred)

**Through mail order for maintenance drugs (up to a 90 day supply):**

- \$10 for Generic drugs
- \$20 for Formulary drugs (Preferred – Brand name drugs)
- \$50 co-insurance for Non-Formulary drugs (Non-Preferred drugs)

**Delta Dental Plan (only applies to former Commonwealth Energy Retirees)**

If you are currently enrolled in the dental plan and you are at least age 65 on or before March 31, 2003, your dental plan will not change. The eligibility of this benefit is based on the retiree's age.

*This information only provides a summary of your benefits. It is not an official plan document. Your benefits will be determined in accordance with official plan documents. The Company reserves the right to amend, modify or terminate the programs at any time. Additional information will be provided in January 2003.*